



Global Digital Creations Holdings Limited

環球數碼創意控股有限公司*

(Incorporated in Bermuda with limited liability)



Third Quarterly Report 2003

*For identification purpose only

Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Global Digital Creations Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



Global Digital Creations Holdings Limited
THIRD QUARTERLY REPORT 2003

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COMPANY INFORMATION

Directors

Executive Directors

Mr. Richard Yin Yingneng (*President*)
Mr. Raymond Dennis Neoh
(*Chief Executive Officer*)

Non-Executive Directors

Mr. Anthony Francis Neoh (*Chairman*)
Mr. David Deng Wei

Independent Non-Executive Directors

Mr. Gordon Kwong Che Keung
Professor Japhet Sebastian Law
Mr. Stephen Scharf

Chief Technology Officer

Dr. Chong Man Nang

Chief Financial Officer & Qualified Accountant

Mr. Adrian Mak Yau Kee, FCA, AHKSA

Company Secretary

Ms. Amelia Mak Lai Yu
Mr. Ira Stuart Outerbridge III (*Assistant secretary*)

Audit Committee

Mr. Gordon Kwong Che Keung (*Chairman*)
Professor Japhet Sebastian Law
Mr. Stephen Scharf

Remuneration Committee

Professor Japhet Sebastian Law (*Chairman*)
Mr. David Deng Wei

Disclosure Policy Committee

Mr. Anthony Francis Neoh (*Chairman*)
Mr. David Deng Wei
Mr. Gordon Kwong Che Keung
Professor Japhet Sebastian Law
Mr. Stephen Scharf

Authorised Representatives

Mr. Raymond Dennis Neoh
Ms. Amelia Mak Lai Yu

Bermuda Resident Representative

Mr. John C. R. Collis

Bermuda Deputy Resident Representative

Mr. Anthony D. Whaley

Website Address

<http://www.gdc-world.com>

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Hutchision House
10 Harcourt Road, Central
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Auditors

PricewaterhouseCoopers

Sponsor

Goldbond Capital (Asia) Limited
(formerly known as Asia Investment
Capital Limited)

Legal Adviser

Gallant Y. T. Ho & Co

Principal Bankers

Hang Seng Bank
The Development Bank of Singapore Ltd.,
Hong Kong Branch
Standard Chartered Bank
Shenzhen Commercial Bank
Bank of China

Principal Share Registrar and Transfer Office

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM 11
Bermuda

Hong Kong Share Registrar and Transfer Office

Standard Registrars Limited
G/F, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

FINANCIAL OVERVIEW

As with all other businesses in the region, the Group's business was affected by the outbreak of Severe Acute Respiratory Syndrome ("SARS") in Asia during the second quarter of 2003, resulting in lower revenue and slower business activities. The effect of SARS was much evident during the three months ended 30th September, 2003 (the "Third Quarter"), as businesses were slow in getting back to normal.

Turnover of the Group for the nine months ended 30th September, 2003 was approximately HK\$5,973,000 which, when compared with the turnover of the Group for the nine months ended 30th September, 2002 of HK\$1,548,000, represented an increase of 286%. The increase in turnover was due to the sale of the Group's DSR™ range of digital cinema equipment, following the successful commercialisation of such products in early 2003.

Revenue from the sale of digital cinema equipment totalled HK\$4,281,000 for the nine months ended 30th September, 2003, which accounted for 72% of the Group's total revenue for the period. Revenue from computer graphics ("CG") training and from digital cinema operations in the PRC totalled HK\$1,480,000 and HK\$212,000, representing 25% and 3% respectively of the Group's total revenue for the period. As the Group's three-dimensional ("3-D") CG feature movie project "*Thru the Moebius Strip*" is in its final production phase, no revenue has yet been derived from CG content and production during the Third Quarter. With the success of 3-D CG movies such as "*Finding Nemo*", the Group expects strong demand for "*Thru the Moebius Strip*" and revenues are anticipated to be generated from the first quarter of 2004 onwards.

Administrative expenses for the nine months ended 30th September, 2003 totalled HK\$17,994,000 (2002: HK\$7,207,000). The increase was principally attributable to the increase in the managerial personnel costs, as the Group was strengthened by the additions of executives during the period running up to the listing of the shares of the Company (the "Shares"), and the rental and utility expenses arising from the leasing of the CG training and production facility in Chang Ning District, Shanghai since July 2003.

Other operating expenses, which comprised mainly of research and development costs for digital content distribution and exhibition, amounted to HK\$2,826,000 for the nine months ended 30th September, 2003 (2002: HK\$1,840,000).

Finance costs are expected to come down substantially in accordance with the plans of the board of Directors ("Board") to keep such costs to the lowest possible level. The total finance costs for the nine months ended 30th September, 2003 was about HK\$4,198,000 (2002: HK\$533,000). Certain shareholders' and other loans totalling HK\$17,586,000 were repaid during the Third Quarter which carried interest at between 8% and 15%.



FINANCIAL OVERVIEW

Overall, the Group incurred a net loss of approximately HK\$22,761,000 for the nine months ended 30th September, 2003, which represented an increase of 118% over the loss of approximately HK\$10,432,000 incurred in the same period last year. This is due essentially to additional expenditure necessary to build a stronger management, research and development capability, and the increasingly important and necessary marketing of the Group's products.

The costs of the making of the film "*Thru the Moebius Strip*" continued to be capitalised and included under production work-in-progress in the balance sheet, in accordance with the Group's accounting policy on film costs and films under production. The total production costs incurred up to 30th September, 2003 for this film amounted to approximately HK\$66,191,000 (30th June, 2003: HK\$55,961,000), which is in line with the total budgeted costs of approximately HK\$78,000,000.

BUSINESS REVIEW

1. Digital content distribution and exhibition

During the Third Quarter, the Group continued to create additional value to its core technologies and accelerated its marketing plans. At the same time, it has begun to consolidate its international reputation as one of the world's leading and highly innovative digital cinema solutions provider.

GDC Technology Ltd ("GDC Technology"), the Group's digital cinemas ("D-cinema") operating arm, continued to deliver its digital cinema equipment to Mukta Adlabs Digital Exhibition Limited (formerly Adlabs D2C Applications Pvt Limited) ("Adlabs") in India. GDC Technology further shipped and delivered 13 units of DSR™ digital film servers to Adlabs during the Third Quarter. Up to 30th September, 2003, GDC Technology had installed DSR™ digital film servers to 49 cinemas in India. Taking into account of the two sets of digital cinema equipment respectively installed at the Grand Theatre and Shanghai Paradise Warner Cinema City in Shanghai, the People's Republic of China (the "PRC"), GDC Technology had, up to 30th September, 2003, provided digital cinema equipment to a total of 51 cinemas in Asia. Further deliveries of equipment to India and roll out of digital cinemas in the PRC are scheduled to take place during the fourth quarter of 2003.

GDC Technology was successful in obtaining the digital version of Disney-Pixar latest full feature movie, "*Finding Nemo*", Sony Picture's "*Just Visiting*" and Paramount Picture's "*K-19 The Widowmaker*" for exhibition in the two abovementioned cinemas in Shanghai, the PRC, from July to September 2003.

BUSINESS REVIEW

GDC Technology is actively negotiating with major cinema circuits in Hong Kong, China Mainland, Thailand and Singapore for the possibility of installing D-cinemas in these territories.

As part of the marketing plan, GDC Technology participated at the International Broadcasting Convention (“IBC”), an international exhibition held in Amsterdam, the Netherlands, in September 2003. GDC Technology was invited to make its presentation at IBC’s D-cinema seminar — an eminent seminar for worldwide D-cinema industrialists and customers. GDC Technology partnered with Media Development Authority of Singapore to launch a new digital cinema product-DSR™ Cineplex Central Server in September 2003. It is the ideal solution for D-cinema Cineplex that requires scheduling and playing-back from a central storage of slides, of commercial clips, High Definition (HD) content, D-cinema movies to different screens. It offers a cost-effective solution for D-cinema Cineplex. GDC Technology was invited to present a paper at the Institution of Electrical Engineers/ United Kingdom (“UK”) Film Council seminar in London to further discuss the UK Film Council’s D-cinema project. Furthermore, GDC Technology was in final negotiations with a UK company for the order of the Group’s DSR™ digital film servers and encoders.

Research and development

- GDC Technology has completed the design and production of a 2K DSR™ Digital Film Server that delivers CineCanvas™ subtitle for a 2K DLP Cinema™ projector. The solution was demonstrated at Beijing International Radio, TV & Film Equipment Exhibition (BIRTV) 2003 D-cinema in August 2003 and received a highly favourable reception;
- GDC Technology developed the world’s first 2K picture resolution encoder and decoder;
- GDC Technology engineers participated in the September DC-28 meetings of the Society of Motion Picture and Television Engineers (SMPTE) in California, the United States of America (“USA”) which is the principal forum for digital cinema technical standard meeting. This wider participation by the working level of the Group will speed up its research and development process to meet international technical standards as they are developed;



BUSINESS REVIEW

- GDC Technology had started work and had obtained favourable preliminary test results on Joint Photographic Experts Group (JPEG) based algorithms for D-cinema application. This use of JPEG as an open standard is being actively considered by the DC-28 and GDC Technology is preparing for this eventuality.

2. CG creation and production

During the Third Quarter, the Group continued to develop the capacity of its main studios in Shenzhen and accelerated its international marketing, particularly in the pre-marketing of the film "*Thru the Moebius Strip*".

By the end of the Third Quarter, the studio was on track in the production work for the 3-D CG feature length movie "*Thru the Moebius Strip*". The movie is now in its final production phase. This project has enabled the Group to develop a robust pipeline which puts it in an excellent position to tackle future projects. By successfully coming near to the completion of this complex project, the studio enters into the small selected group of studios in the world able to execute projects of such complexity.

The voice casting and recording was completed during the Third Quarter, under the direction of veteran casting director Jack Fletcher ("*Final Fantasy: the Spirits within*", among many other international credits). The cast was led by famed international star, Jean Simmons ("*Spartacus*" among many international films) and Mark Hamill ("Luke Skywalker" in "*Star Wars*" Series, among many other international credits). At the time of writing, the production is in its final stages and post-production has begun with the engagement of Olivier Liboutry as Composer ("*Marie de Nazarethe*", "*Generation Oxygene*", among other international film music credits) and Lois Freeman Fox, ACE ("*Fantasia 2000*" among many other international credits) as Principal Editor. Negotiations have begun for the appointment of a post-production producer to ensure that the film is completed in marketable form in the first quarter of 2004. The Group is therefore optimistic that pre-sales contracts will be concluded in the first quarter of 2004.

Coupled with the international marketing effort for the film "*Thru the Moebius Strip*", a PRC version is being planned. It is intended that a PRC team will be formed to produce the PRC version and to promote it nationally.

The studio's very considerable capacity is already being put to work on the next potential projects. During the Third Quarter, trailers were produced for a number of potential projects, including one for a 52-episode television series entitled "*Panshel*,

BUSINESS REVIEW

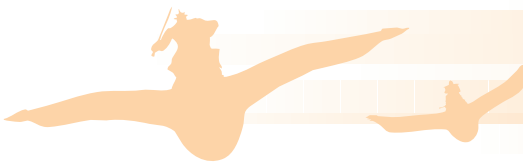
the Flying Panda". The trailer has already been exhibited at the trade show, MIPCOM in Cannes in early October 2003 and received enthusiastic interest. Contractual terms are under negotiation. It is expected that the Group will hold all the relating intellectual property rights for the PRC as well as the co-ownership of the relating intellectual property internationally. This is a project with enormous merchandising opportunity. As a result, the Group has set up a full time merchandising group, focusing on merchandise design and licensing.

Locational based entertainment is another area that the Group's production capacity was brought to bear. During the Third Quarter, pre-production has begun on a four-dimensional (4-D) short feature of 20 minutes duration, based on the theme of "*Thru the Moebius Strip*". The Group plans to complete the 4-D feature in time for the exhibition of the film at theme parks and selected locations in the PRC.

3. CG training

As an industry leader, the Group is committed to build a CG industry in Shanghai. With the cooperation of the Chang Ning District Government, renovation work for the Group's latest CG training and production facility in the Chang Ning District was completed during the Third Quarter. Recruitment of students for the 9-month CG training courses was completed. The CG training course fee was set at RMB25,000 per course. The recruitment efforts continued as the Group planned to roll out short-term specialised CG training courses, covering Modelling and Facial Animation, Texture and Lighting, Animation and Skeleton, and Special Effects and Compositing, during the last quarter and beyond. The training facility employs CG software such as MAYA™/3D Studio Max™. It is intended that the Shanghai studio will become a production facility to further increase the Group's production capacity, in addition to the 200-strong production workforce in Shenzhen.

The Group was successful in enrolling students for its CG training courses at its base in Shenzhen. 155 students began their studies on 1st September, 2003. The CG training course fee was set at RMB17,150 per course.



PROSPECTS

DIGITAL CONTENT DISTRIBUTION AND EXHIBITION

The rollout of D-cinema worldwide is slower than expected due to the shortage of first-run film titles in digital format and the lack of an international D-cinema standard, which continues to be one of the major factors hampering its growth. Rapid developments in these areas are taking place and the Group has positioned itself to be closely involved in the development of these standards.

In the September issue of the Variety magazine, it was reported that the Digital Cinema Initiative (DCI) — a consortium founded by the seven major studios to establish technical standards and business model for the rollout of digital cinema in the USA planned to issue its final report in early 2004. We expect more rollout of D-cinemas with the availabilities of an industrial standard and the 2K DLP Cinema™ projectors. Certain DLP Cinema™ projector manufacturers further announced that the 2K DLP Cinema™ projectors would be available in the last quarter of 2003.

In August 2003, the China Film Group announced at BIRTV 2003 that they would continue to rollout D-cinemas according to plan. At present, there are 34 D-cinemas in the PRC and they planned to install an additional 20 D-cinemas before the end of 2003. The China Film Group also mentioned that they would continue to install D-cinemas in years 2004 and 2005.

The UK Film Council announced in July 2003 that they would rollout 250 digital screens across the UK, making them available in about a quarter of the country's cinema sites.

On 8th October, 2003, South China Morning Post reported that the Chinachem Group planned to open a chain of D-cinemas in more than 20 mainland cities, taking advantage of the recently concluded Closer Economic Partnership Arrangement ("CEPA").

Against this background, the Group shall continue to work closely with the China Film Group and the UK Film Council, and expect to supply D-cinema servers to them.

The Group continues to work with Panasonic Singapore to source the most cost-effective equipment for the popularization of D-cinema. The Group expects that particularly in Asia, where there are fewer legacy issues, D-cinema will take off rather more rapidly than in the USA. Therefore, apart from positioning itself internationally, the Group is watching the Asian markets closely (including Indonesia, Malaysia and Thailand) and has continued to develop business relationships in these territories.

PROSPECTS

CG CREATION AND PRODUCTION

Recent successes of 3-D CG feature length movies such as “*Finding Nemo*” have generated much interest in this genre of movies both within the industry and among world wide audiences. Within the industry, it is not expected that large CG studios could be set up in the short term due to not only high set up costs, but also the lack of experienced manpower and the need to build robust production pipelines, all of which take considerable time. “*Thru the Moebius Strip*” is a sci-fi adventure story which is set in an unusual and yet visually attractive setting. The Directors anticipate that the movie will be able to ride on the recent success of the genre. The movie has a large number of props and characters which hold enormous merchandising potential. The full time merchandising department has been tasked with adding to the range of merchandise already designed. At the time of writing, an experienced China Department of the Group is about to be appointed, to be based in Beijing, to produce a Chinese version of the movie and to plan and execute distribution and merchandising in the PRC market.

The demand for animation in the PRC market is enormous. With the signing of CEPA, the Group expects to be greatly facilitated in its activities in the PRC in the production and distribution of its CG creative product. New productions such as “*Panshel, the Flying Panda*” will have a ready market in the PRC. The Group’s considerable production, creative capacity and international contacts in the industry, places it in a very good position of fulfilling the demand in the PRC.

There has been a number of other projects being discussed as to which due to the sensitive nature of current discussions, the Group can only disclose after agreement has been reached.



OTHER INFORMATION

DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the three months ended 30th September, 2003 (2002: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30th September, 2003, so far as is known to the Directors, the beneficial interests (including interests and short positions in the ordinary shares of the Company, underlying Shares and debentures) of the Directors in the Shares or securities of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance Cap. 571 ("SFO")) which required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO), or required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that Section, or required pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares

Name of Director	No. of Shares	Nature of interests	Approximate percentage of interest (%)
Anthony Francis Neoh	124,974,230	Personal (<i>note 1</i>)	16.02%
Raymond Dennis Neoh	275,137,713	Corporate (<i>note 2</i>)	35.27%
David Deng Wei	20,779,090	Corporate (<i>note 3</i>)	2.66%
Richard Yin Yingneng	8,531,615	Personal (<i>note 4</i>)	1.09%
Gordon Kwong Che Keung	200,000	Personal (<i>note 5</i>)	0.03%
Japhet Sebastian Law	200,000	Personal (<i>note 6</i>)	0.03%
Stephen Scharf	200,000	Personal (<i>note 7</i>)	0.03%

Notes:

1. The 124,974,230 Shares were held by Anthony Francis Neoh directly.

OTHER INFORMATION

2. The 214,122,516 of these Shares were held by Upflow Holdings Limited, a company incorporated in the British Virgin Islands (“BVI”) with limited liability and wholly owned by Raymond Dennis Neoh. The balance of the 61,015,197 Shares were held by Forward Strategic Investments Limited, a wholly owned subsidiary of Global Digital Creations Limited, which is in turn owned as to approximately 32.4% by Upflow Holdings Limited.
3. The 20,579,090 of these Shares were held by Bright Oceans Corporation (HK) Limited, a company incorporated in Hong Kong with limited liability and owned as to 50% by David Deng Wei. The balance of the 200,000 Shares were held in a trust account opened in the name of Mak Yau Kee, Adrian in trust for David Deng Wei.
4. The 8,331,615 of these Shares were held by Richard Yin Yingneng directly. The balance of the 200,000 Shares were held in a trust account opened in the name of Mak Yau Kee, Adrian in trust for Richard Yin Yingneng.
5. The 200,000 Shares were held in a trust account opened in the name of Mak Yau Kee, Adrian in trust for Gordon Kwong Che Keung.
6. The 200,000 Shares were held in a trust account opened in the name of Mak Yau Kee, Adrian in trust for Japhet Sebastian Law.
7. The 200,000 Shares were held in a trust account opened in the name of Mak Yau Kee, Adrian in trust for Stephen Scharf.



OTHER INFORMATION

Long positions in equity derivatives in, or in respect of, underlying Shares

Name of Director	Number and description of equity derivatives	Number of underlying Shares	Nature of interests	Approximate percentage of interest (%)
Anthony Francis Neoh	32,201,692 options granted under the Scheme (note 8)	32,201,692	Personal (note 9)	4.12%
Raymond Dennis Neoh	4,818,450 options granted under the Scheme	4,818,450	Personal (note 10)	0.62%
Richard Yin Yingneng	5,387,778 options granted under the Scheme	5,387,778	Personal (note 11)	0.69%

Notes:

8. On 20th March, 2003, the shareholders of Forward Strategic Investments Limited, have by written resolution, adopted a share option scheme ("Scheme") also dated 20th March, 2003, wherein its board is entitled to grant options to grantees such that they can purchase Shares from Forward Strategic Investments Limited pursuant to the terms of the Scheme.
9. Anthony Francis Neoh has been granted options under the Scheme, which when exercised by him, entitle him to subscribe for a total of 32,201,692 Shares.
10. Raymond Dennis Neoh has been granted options under the Scheme, which when exercised by him, entitle him to subscribe for a total of 4,818,450 Shares.
11. Richard Yin Yingneng has been granted options under the Scheme, which when exercised by him, entitle him to subscribe for a total of 5,387,778 Shares.

OTHER INFORMATION

Short positions in equity derivatives in, or in respect of, underlying Shares

Name of Director	Number and description of equity derivatives	Number of underlying Shares	Nature of interests	Approximate percentage of interest (%)
Raymond Dennis Neoh	<i>(note 12)</i>	61,015,197	Corporate <i>(note 12)</i>	7.82%

Note:

- Pursuant to the terms of the Scheme, the grantees may purchase the 61,015,197 Shares according to its terms and conditions. As Forward Strategic Investments Limited is a wholly-owned subsidiary of Global Digital Creations Limited, which is in turn owned as to approximately 32.4% by Upflow Holdings Limited, which is wholly owned by Raymond Dennis Neoh, Global Digital Creations Limited, Upflow Holdings Limited and Raymond Dennis Neoh are accordingly deemed to be interested in the short positions taken by Forward Strategic Investments Limited.

Save as disclosed above, as at 30th September, 2003, none of the Directors and the chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

SHARE OPTIONS

Post-IPO share option scheme

The share option scheme of the Company ("Post-IPO Scheme") was approved and adopted on 18th July, 2003. The principal purpose of the Post-IPO Scheme is to enable the Company to grant options to selected persons as incentives or rewards for their contribution to the Group.

As at 30th September, 2003, no option has been granted or agreed to be granted under the Post-IPO Scheme.



OTHER INFORMATION

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2003, so far as is known to the Directors, the following substantial shareholders, not being a Director or chief executive of the Company, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO:

Long positions in Shares and in equity derivatives in, or in respect of, underlying Shares/equity derivatives

Name	No. of Shares/ equity derivatives	Nature of interests	Approximate percentage of interest (%)
Forward Strategic Investments Limited	61,015,197	Corporate (note 1)	7.82%
Global Digital Creations Limited	61,015,197	Corporate (note 1)	7.82%
Upflow Holdings Limited	275,137,713	Corporate (notes 1 & 2)	35.27%
SW Kingsway Capital Holdings Limited	41,658,077	Corporate (note 3)	5.34%
Billion On Development Limited	41,658,077	Corporate (note 3)	5.34%
Festival Developments Limited	41,658,077	Corporate (note 3)	5.34%
Kingsway China Holdings Limited	41,658,077	Corporate (note 3)	5.34%
Cyber Prime Developments Limited	41,658,077	Corporate (note 3)	5.34%
Sotas Limited	63,875,717	Corporate (note 4)	8.19%
Morningside CyberVentures Holdings Limited	63,875,717	Corporate (note 4)	8.19%
Verrall Limited	63,875,717	Corporate (note 4)	8.19%
Chan Tan Ching Fen	63,875,717	Corporate (note 4)	8.19%

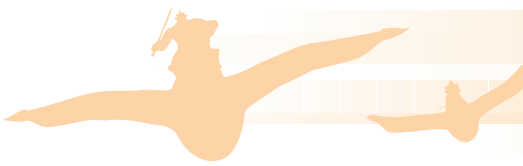
OTHER INFORMATION

Notes:

1. The 61,015,197 Shares were held by Forward Strategic Investments Limited, a wholly-owned subsidiary of Global Digital Creations Limited, which is in turn owned as to approximately 32.4% by Upflow Holdings Limited which is wholly owned by Raymond Dennis Neoh.
2. The 214,122,516 Shares were held by Upflow Holdings Limited, which is wholly owned by Raymond Dennis Neoh.
3. The 41,658,077 Shares were held by Cyber Prime Developments Limited, a company incorporated in the BVI with limited liability, which is wholly owned by Billion On Development Limited, which is in turn wholly owned by Festival Developments Limited, which is in turn wholly owned by Kingsway China Holdings Limited, which is in turn wholly owned by SW Kingsway Capital Holdings Limited.
4. The 55,544,102 Shares were held by Sotas Limited, a company incorporated in the BVI with limited liability and wholly owned by Morningside CyberVentures Holdings Limited, which is in turn a wholly owned subsidiary of Verrall Limited in its capacity as the trustee of a family trust established by Madam Chan Tan Ching Fen, who was taken to be interested in the Shares disclosed herein in her capacity as founder of the trust (as defined in the SFO) referred to above upon the listing of the Shares on GEM. On 5th June, 2003, the Company granted a share option to Sotas Limited which entitles Sotas Limited to subscribe for 8,331,615 Shares from the Company within 36 months from the date of listing of the Shares on GEM at an aggregate exercise price of US\$600,000 (equivalent to HK\$4,680,000).

Short positions in equity derivatives in, or in respect of, underlying Shares

Name	Number and description of equity derivatives	Number of underlying Shares	Nature of interests	Approximate percentage of interest (%)
Forward Strategic Investments Limited	(note 5)	61,015,197	Corporate (note 5)	7.82%
Global Digital Creations Limited	(note 5)	61,015,197	Corporate (note 5)	7.82%
Upflow Holdings Limited	(note 5)	61,015,197	Corporate (note 5)	7.82%



OTHER INFORMATION

Notes:

5. Pursuant to the terms of the Scheme, the grantees may purchase the 61,015,197 Shares according to its terms and conditions. As Forward Strategic Investments Limited is a wholly-owned subsidiary of Global Digital Creations Limited, which is in turn owned as to approximately 32.4% by Upflow Holdings Limited, which is wholly owned by Raymond Dennis Neoh, Global Digital Creations Limited, Upflow Holdings Limited and Raymond Dennis Neoh are accordingly deemed to be interested in the short positions taken by Forward Strategic Investments Limited.

Other interests discloseable under the SFO

Save as disclosed in the paragraphs headed “Directors’ and chief executive’s interests or short positions in the shares, underlying shares or debentures” and “Interests discloseable under the SFO and substantial shareholders” above, so far as is known to the Directors, there is no other person who has an interest or short position in the shares, underlying shares of the Company that is discloseable under the SFO.

SPONSORS’ INTERESTS

Pursuant to the agreement entered into between the Company and Goldbond Capital (Asia) Limited (formerly known as Asia Investment Capital Limited) (“GCAL”), the sponsor of the Company, GCAL will act as the Company’s continuing sponsor with effect from 4th August, 2003 to 31st December, 2005.

As at 30th September, 2003, neither GCAL nor its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) have any interests in any class of securities of the Company or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any class of securities in any member of the Group.

Save as disclosed in the Prospectus, and save as disclosed herein, there are no interests which the Sponsor, its directors and employees and their associates have in relation to the Group as at the date hereof.

RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

As at 30th September, 2003, the Directors are not aware that (i) the Group has advanced any money to any entity which exceeded 25% of the Group’s audited net tangible assets; (ii) the Group has provided any financial assistance and guarantees to affiliated companies which exceeded 25% of the Group’s audited net tangible assets; (iii) the controlling shareholder of the Company has made any pledge over its shares to secure debts, guarantees or support of other obligation of the Group; (iv) the Group has entered

OTHER INFORMATION

into any loan agreements imposing specific performance obligations on any controlling shareholder and breach of such obligation will cause a default in respect of loans that are significant to the operations of the Company; and (v) the Group has breached the terms of any loan agreements that are significant to the operations of the Group such that the lender may demand immediate repayment and where the lender has not issued a waiver in respect of the breach. Hence, the Directors are not aware of any circumstances which give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the period.

AUDIT COMMITTEE

The Company has an audit committee established with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members comprising the three independent non-executive Directors, Mr. Gordon Kwong Che Keung (Committee Chairman), Professor Japhet Sebastian Law and Mr. Stephen Scharf. The primary duties of the audit committee are, inter alia, to review and supervise the financial reporting process and internal control system of the Group. The Group's quarterly results for the three months ended 30th September, 2003 have been reviewed by the audit committee, which is of the opinion that such statements comply with the applicable accounting standards, and the Stock Exchange and legal requirements and that adequate disclosures have been made.

COMPETING INTEREST

Save as the competing interest as disclosed in the Prospectus, none of the directors, management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the businesses of the Group or has any other conflict of interests with the Group.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the period under review.



UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNTS

For the three months and the nine months ended 30th September, 2003

	Note	Three months ended 30th September,		Nine months ended 30th September,	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	3	1,814	519	5,973	1,548
Cost of sales		(1,725)	(883)	(4,448)	(2,427)
Gross profit/(loss)		89	(364)	1,525	(879)
Other revenue	3	74	8	74	13
Other operating income		—	14	658	14
Administrative expenses		(8,866)	(2,710)	(17,994)	(7,207)
Other operating expenses		(1,416)	(658)	(2,826)	(1,840)
Operating loss		(10,119)	(3,710)	(18,563)	(9,899)
Finance costs		(978)	(250)	(4,198)	(533)
Loss for the period		(11,097)	(3,960)	(22,761)	(10,432)
Loss per share	6				
Basic		HK1.46 cents	HK0.60 cents	HK3.28 cents	HK1.58 cents
Diluted		N/A	N/A	N/A	N/A

NOTES TO CONSOLIDATED PROFIT AND LOSS ACCOUNTS

For the three months and the nine months ended 30th September, 2003

1. Group reorganisation

The Company was incorporated in Bermuda on 9th October, 2002 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a group reorganisation (the "Reorganisation"), which was completed on 31st December, 2002, to rationalise the structure of the Group in preparation for the listing of the Company's shares on GEM, the Company became the holding company of the companies comprising the Group. The shares of the Company were listed on GEM on 4th August, 2003.

2. Basis of preparation

These unaudited consolidated profit and loss accounts have been prepared in accordance with the principal accounting policies of the Group which conform with accounting principles generally accepted in Hong Kong.

These unaudited consolidated profit and loss accounts should be read in conjunction with the accountants' report set out in the prospectus of the Company dated 23rd July, 2003 (the "Prospectus") and interim financial report for the six months ended 30th June, 2003 (the "Interim Financial Report").

The accounting policies and methods of computation used in the preparation of these unaudited consolidated profit and loss accounts are consistent with those used in the financial information as included in the accountants' report set out in the Prospectus and the Interim Financial Report except for certain modification on the capitalisation of borrowing costs in production work in progress. The modification had no material effect on the amounts reported in the current period and prior period.



NOTES TO CONSOLIDATED PROFIT AND LOSS ACCOUNTS

For the three months and the nine months ended 30th September, 2003

3. Turnover and revenues

The Group is principally engaged in the CG creation and production, distribution of digital content and equipment, and the provision of CG training courses. Revenues, net of business tax, recognised during the period are as follows:

	Three months ended 30th September,		Nine months ended 30th September,	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover				
Training fees	280	367	1,480	1,324
Sales of goods	1,471	—	4,281	—
Box office receipts from distribution of digital motion pictures	25	114	98	154
Rental income from equipment leasing	19	19	57	38
Franchise fee from digital cinema for use of equipment	19	19	57	32
	1,814	519	5,973	1,548
Other revenue				
Interest income	74	8	74	13
Total revenues	1,888	527	6,047	1,561

4. Taxation

No Hong Kong profits tax was provided for the period as the Group had no estimated assessable profits arising in or deriving from Hong Kong.

The subsidiary of the Company operating in China Mainland has been granted tax exemption from income tax for two years starting from the first year of profitable operations after off-setting of accumulated losses brought forward, followed by a 50% reduction in income tax for the next three years. The subsidiary is still under the tax holiday during the period.

NOTES TO CONSOLIDATED PROFIT AND LOSS ACCOUNTS

For the three months and the nine months ended 30th September, 2003

5. Dividends

The Directors do not recommend the payment of an interim dividend for the three months ended 30th September, 2003 (2002: Nil).

6. Loss per share

Basic loss per share for the three months and the nine months ended 30th September, 2003 are calculated based on the loss for the period of HK\$11,097,000 and HK\$22,761,000 respectively and on an aggregate of 757,659,783 shares and 694,223,168 shares respectively, comprising the weighted average number of 87,207,775 shares and 56,035,507 shares respectively in issue, and 670,452,008 shares and 638,187,661 shares respectively issued pursuant to the capitalisation issue for the then shareholders upon completion of the Reorganisation, which were deemed to have been in issue since 1st January, 2002.

The comparative basic loss per share for the three months and the nine months ended 30th September, 2002 are calculated based on the loss for the period of HK\$3,960,000 and HK\$10,432,000 respectively and on an aggregate of 660,100,011 shares, comprising 40,000,000 shares deemed to be in issue during the period, and 620,100,011 shares issued pursuant to the capitalisation issue for the then shareholders upon completion of the Reorganisation, which were deemed to have been in issue since 1st January, 2002.

Diluted loss per share for the three months and the nine months ended 30th September, 2003 and 2002 are not presented because there were no dilutive potential ordinary shares in existence during the periods.



NOTES TO CONSOLIDATED PROFIT AND LOSS ACCOUNTS

For the three months and the nine months ended 30th September, 2003

7. Reserves

	Contributed surplus	Share premium	Share issuance costs	Statutory reserve	Exchange reserve	Accumulated losses	Total
	HK\$'000	(note a) HK\$'000	(note b) HK\$'000	(note c) HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st July, 2002	40,271	—	—	—	5	(19,870)	20,406
Loss for the period	—	—	—	—	—	(3,960)	(3,960)
At 30th September, 2002	40,271	—	—	—	5	(23,830)	16,446
At 1st July, 2003	40,271	40,168	(9,069)	415	48	(42,906)	28,927
Premium on share issues	—	65,637	—	—	—	—	65,637
Capitalisation issue	—	(6,705)	—	—	—	—	(6,705)
Share issuance costs	—	—	(5,732)	—	—	—	(5,732)
Share issuance costs written off	—	(14,801)	14,801	—	—	—	—
Loss for the period	—	—	—	—	—	(11,097)	(11,097)
At 30th September, 2003	40,271	84,299	—	415	48	(54,003)	71,030

- (a) On 1st August, 2003, the Company allotted and issued 66,300,000 shares of the Company of HK\$0.01 each to investors through the initial public offerings at HK\$1.00 per share, at cash consideration of HK\$66,300,000. The excess of the aggregate cash consideration over the nominal value of shares of HK\$65,637,000 was credited to the share premium account of the Company.

On the same date, 670,452,008 shares were allotted as fully paid at par to the shareholders whose names appeared on the register of members of the Company in proportion to their respective shareholdings at the close of business on 1st August, 2003 by way of capitalisation of the sum of HK\$6,705,000 standing to the credit of the share premium account of the Company.

- (b) The share issuance costs were written off against the share premium account upon the listing of the Company's shares on GEM.
- (c) As stipulated by the rules and regulations in China Mainland, foreign investment enterprises are required to appropriate part of their after-tax profit (after offsetting prior year's losses) to certain statutory reserves. 環球數碼媒體科技研究(深圳)有限公司 ("IDMT"), as a wholly foreign owned enterprise established in the PRC, is required to appropriate 10% of its after-tax profit (after offsetting prior year's losses) to a general reserve fund until the balance of the fund reaches 50% of its share capital thereafter any further appropriation is optional and is determinable by the Company's board of directors. The statutory reserve as at 30th September, 2003 represents general reserve fund of IDMT of approximately HK\$415,000, which can only be used, upon approval by the relevant authority, to offset prior year losses or to increase capital. The appropriation is made only at year end.